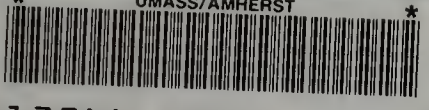


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MASSACHUSETTS HOUSING FINANCE AGENCY

AFFORDABLE HOUSING IN THE NINETIES

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MHFA

MASSACHUSETTS HOUSING FINANCE AGENCY

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The Massachusetts Housing Finance Agency (MHFA) is a self-supporting state agency charged with financing and promoting the construction, purchase and rehabilitation of housing in the Commonwealth. The Agency accomplishes this through loan programs designed to stimulate the construction of mixed-income rental housing, assist in the preservation of existing housing stock, and provide homeownership opportunities for low- and moderate-income households.

The MHFA raises money for its loan programs through the sale of taxable or tax-exempt bonds to private investors. Sale proceeds are loaned to qualified borrowers, either directly by the Agency or through local lenders at reduced interest rates. This approach enables the Agency to finance housing at cost savings while encouraging private sector participation in the provision of quality housing for Massachusetts residents.

The Agency does not use any state funds to pay operating expenses. A \$300,000 start-up loan from the Commonwealth was repaid, in full, in 1973 ten years before it was due.

The MHFA is an affirmative action agency.

MISSION STATEMENT

“To promote and provide for the production and preservation of quality multifamily rental housing and opportunities for homeownership affordable to people of varied economic means throughout the Commonwealth; to assure the sound financial and physical management of this housing; and to promote the provision of human services for our client population.”

In 1965 the Commonwealth's Special Commission on Low-Income Housing reported that many of the state's families and senior citizens could not afford decent housing. Recognizing that the private sector alone could not address all the state's housing needs, the Commission recommended the formation of the Massachusetts Housing Finance Agency (MHFA).

The MHFA would be self-supporting, raising funds through the sale of tax-exempt bonds to provide reduced interest rate financing for affordable housing throughout the Commonwealth. The Agency also would stimulate local economic growth through the additional private sector investment, employment opportunities and tax revenues generated by its housing programs.

The Commonwealth acted on the Commission's recommendations and established MHFA under Chapter 708 of the Acts of

1966. In 1968, the Agency received a start-up loan of \$300,000 from the Legislature and repaid the loan in full in 1973, ten years before it was due. In 1970, construction started on the first units financed through MHFA at Rolling Green, a 204-unit development in Amherst.

In July, 1982, at the direction of the Legislature, the MHFA and the Massachusetts Home Mortgage Finance Agency (MHMFA) were merged. The MHMFA had been established in 1974 to help low- and moderate-income households purchase, maintain and improve their homes. The merger was designed to ensure a high level of coordination in the administration of the state's housing programs; MHMFA's programs are now part of MHFA's Office of Single Family Programs.

Today, MHFA's rental and home-ownership programs reflect the Agency's ability to respond to changing real estate markets. While continuing housing production in selected areas of the Commonwealth where the need remains, the Agency has focused recent efforts on preserving existing housing stock, providing affordable housing for low- and moderate-income households, and promoting the provision of human services for the Agency's developments.

The Agency is self-supporting and does not use any state funds to pay for its operating expenses. Funds for the MHFA's loan programs are raised through the sale of tax-exempt and taxable bonds to private investors. Operating expenses are funded through fees and other charges to developers and other program participants and through proceeds from Agency investments.

Since making its first loan in 1970, the MHFA has provided more than \$4 billion in financing for housing in Massachusetts. This investment represents 68,018 rental units (49,771 units in the permanent portfolio) and 22,241 mortgage loans for first-time homebuyers.



County	Loans/Rental Housing*	Developments	Units	Loans/ Homeownership	Mortgages	Total Investment
Barnstable	\$ 26,026,689	9	897	\$ 38,363,568	625	\$ 64,390,257
Berkshire	24,185,839	8	695	22,303,470	478	46,489,309
Bristol	227,338,334	45	5,638	116,155,994	2,277	343,494,328
Dukes				33,938	1	33,938
Essex	311,457,912	51	7,240	128,479,965	2,232	439,937,877
Franklin	21,997,052	6	618	24,052,269	545	46,049,321
Hampshire	31,552,865	8	1,080	36,189,729	760	67,742,594
Hampden	213,058,747	47	6,129	181,672,110	3,491	394,730,857
Middlesex	531,321,397	97	11,847	155,089,630	2,863	686,411,027
Nantucket	1,966,593	1	27			1,966,593
Norfolk	178,312,810	45	5,332	90,019,003	1,597	268,331,813
Plymouth	110,536,488	27	3,398	98,666,634	1,783	209,203,122
Suffolk	902,683,624	170	18,199	179,735,430	2,903	1,082,419,054
Worcester	264,860,726	45	6,918	141,623,561	2,686	406,484,287
Total	\$2,845,299,076	559	68,018	\$1,212,385,300	22,241	\$4,057,684,376

* All loan programs fiscal years 1970-1990.



Over the years, MHFA has continued to provide financing for mixed-income rental housing developments through creative use of a variety of state and federal subsidy programs, thus ensuring the long-term financial feasibility of the developments while guaranteeing affordability for its low-income residents.

MHFA requires that at least 20 - 25 percent of the units in each of its developments be rented to low-income households and that these units be dispersed throughout the developments. The success of the concept of mixed-income housing is demonstrated in 559 rental developments located throughout the Commonwealth.

UNDERWRITING/PORTFOLIO MANAGEMENT

To secure the long term viability of its portfolio, the Agency places particular emphasis on selecting strong development teams and desirable sites. To ensure that the best possible

housing is built for the most reasonable cost, MHFA staff conduct comprehensive mortgage application reviews, evaluate the proposed housing design and monitor construction activity.

The Agency also assumes management oversight of a development for the life of the MHFA loan. This oversight includes a review of marketing and rent-up procedures, periodic site inspections, operating budget analysis, and facilitation of tenant-management relations.

To anticipate potential funding shortfalls, the Agency conducts capital needs and risk analysis studies of its developments. Interdepartmental teams assess existing problems and propose action plans to restore the financial health of troubled developments. This aggressive approach to portfolio management is critical in mitigating the effects of future rent increases on low- and moderate-income residents.

ATTRACTING INVESTMENT

The high standards that attract residents to MHFA-financed, mixed-income rental developments also benefit the investors in MHFA's securities. The value of these revenue-producing properties constitutes the primary security behind the Agency's loans. Notes and bonds are backed by mortgages on these properties, by revenues of the Agency derived from these mortgages and by subsidies allocated for use in the developments.

In 1987, the Agency received "top tier" status from Standard and Poor's — reflecting the rating agency's assessment of MHFA's administrative abilities, internal controls, financial management and portfolio quality. Top tier status enables the Agency to attain higher bond ratings and lower interest rates for participants in MHFA programs.

In a further effort to secure the lowest possible financing costs for the Agency's multifamily properties, MHFA has negotiated an assortment of favorable credit enhancement agreements with private insurers including the Municipal Bond Insurance Association. Generally, this has contributed to top bond ratings and net interest savings to the Agency's developments.

In 1985, MHFA became the first housing finance agency in the nation to be accepted as a coinsuring lender under HUD's



Sylvia Padilla and her children, Fernando and Gwendolyn, live in one of the affordable units at Mill Valley Estates in Amherst. Now a student at UMASS-Amherst, Ms. Padilla credits the SHARP program for enabling her to seek a better life for her and her family. Mill Valley Estates comprises 148 units-59 of them reserved in perpetuity for low-income households. MHFA provided \$14.2 million in financing for the SHARP-assisted development.

221(d)(4) and 223(f) programs for rental housing and in 1989, MHFA became one of two HFAs in the country to participate in the FNMA Delegated Underwriting and Servicing Program. Like co-insurance, the FNMA program serves as a credit enhancement and helps to contain development costs.

SHARP (STATE HOUSING ASSISTANCE FOR RENTAL PRODUCTION)

Initiated by the Commonwealth in response to the withdrawal of federal resources for affordable housing production in the early 1980s, SHARP has addressed the acute need for affordable rental housing in Massachusetts by spurring maximum rental housing production with minimum subsidy.

Co-administered by MHFA and the Executive Office of Communities and Development (EOCD), SHARP was created in 1983 to stimulate the production of privately-owned rental housing in which at least 25 percent of the units are reserved in perpetuity for lower-income households.

Construction and permanent financing for SHARP-assisted developments is provided by the MHFA through the sale of bonds. SHARP funds, which are awarded to developers on a competitive basis as a loan (rather than a grant), are used to write down the effective interest payments on MHFA financing to as low as 5 percent for up to 15 years. At the end of that period, SHARP funds are either recycled by the MHFA to promote further affordable housing production or are used to purchase the low-income units so that they are reserved in perpetuity for low-income households.

To maximize SHARP subsidy and, in some cases, to increase the number of affordable units, developers are encouraged to combine SHARP with other public/private sector resources. In some cases, this approach enables a further reduction in development costs and a reduction in rent levels for low- and moderate-income households.

Since its inception, the program has generated 9,369 units — a measure of SHARP's success. However, a unit count does not demonstrate who benefits from the program. Other measures of the program's success are found in the results of a recent Agency survey of 6,221 SHARP households which indicate that 37.5

percent of the units are rented to low-income households — well in excess of the required 25 percent; and 44 percent of the market-rate households earn under \$35,000 — demonstrating that SHARP is, in fact, serving moderate-income households. The survey also showed that more than 50 percent of households had ties to the community in which the development is located, either through employment or family relationships.

LOW-INCOME HOUSING TAX CREDIT PROGRAM

Established under the 1986 Federal Tax Reform Act, the Low-Income Housing Tax Credit Program is one of the few remaining financial incentives for private sector participation in the production of affordable housing. In Massachusetts, federal tax credits are allocated by the Executive Office of Communities and Development (EOCD) with MHFA assisting in determining the maximum tax credit each development may use.



Harbor Point, the largest private/public sector development ever undertaken in Massachusetts, was once the deteriorating Columbia Point public housing project. Now, the revitalized community consists of new and renovated buildings for 1,283 mixed-income households. Four hundred of the units will be available in perpetuity to low-income households and original occupants are guaranteed lifetime residency subject only to lease requirements. Financing for Harbor Point includes a \$151 million MHFA loan. Linda Thompson (top right) has been living at the site since 1968 and saw the worst conditions when the development was known as Columbia Point. She now lives in a new apartment with her six-year-old daughter Monique. Bill Schmidt (bottom right) was born at Columbia Point and lived there from 1954-1969. Two years ago, he moved back to Harbor Point with his family. According to Bill, their wheelchair accessible apartment has given his daughter an independence that she has never had before.





The credits are awarded for the low-income portion of a development only and vary in percentage rates according to the type of bond — taxable or tax-exempt — used to finance the development. MHFA developments financed with tax-exempt bonds are automatically eligible for tax credits of up to 4 percent.

In Massachusetts, this program has been effective in attracting private investors to the state's multifamily housing production programs. In total, 109 developments providing more than 10,000 apartments have been assisted through the Low-Income Tax Credit Program.

80/20

Through another rental housing program known as 80/20, MHFA finances developments in which at least 20 percent of the units are reserved for low-income households. Developments built under the 80/20 program do not depend on additional external state or federal subsidies. The low-income units are marketed to state Chapter 707 and Federal Section 8 rent subsidy certificate holders or the market rate rents are used to reduce the low-income rents.

READI (RENTAL ACQUISITION DEVELOPMENT INITIATIVE)

The Rental Acquisition Development Initiative (READI) program is designed to take advantage of the softening Massachusetts real estate market and offers a unique opportunity for MHFA to obtain units for low-income occupancy without the need for direct state subsidies.

READI is targeted to developers interested in acquiring and rehabilitating older at-risk rental properties or partially completed newer properties. In return for low-interest MHFA financing, developers agree to reserve at least 20% of the units for low-income households. Eligible properties require a minimum of \$15,000 per unit of rehabilitation.

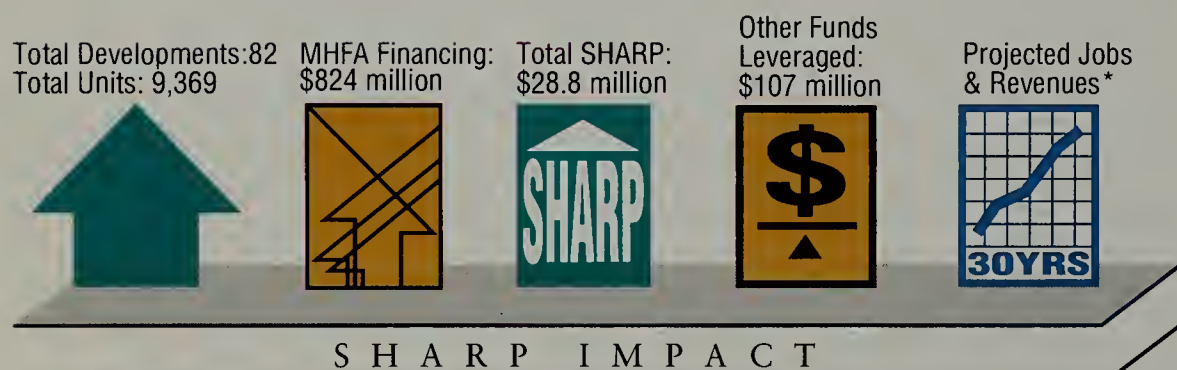
PRESERVING "EXPIRING USE" PROPERTIES

Over the past 20 years, the federal government assisted in the production, nationwide, of some 2 million units of privately-owned, low-income rental housing. The housing is now threatened by expiring mortgage prepayment restrictions, and expiring federal rent subsidy contracts. In Massachusetts, 31,000 rental housing units developed under federal and state programs in the 1970s are at risk between now and the year 2000.

With the federal government's withdrawal from housing production and the severe fiscal constraints confronting numerous state governments, the preservation of this existing housing stock is critical.

While working for the passage of federal preservation legislation, MHFA has been able to provide financing to preserve 286 units of low-and moderate-income rental housing in Framingham and has been involved in negotiations with the federal government to preserve another 1,200 units in Somerville, Boston and Framingham.

In a separate effort, MHFA and several other housing finance agencies entered into an innovative agreement with the U.S. Department of Housing and Urban Development (HUD) to preserve another 38,000 units of rental housing (3,000 of which are in Massachusetts). This agreement allows HFAs to purchase the HUD-



* Generated during construction and 30 years of operation. Construction jobs: 8,206; Private sector revenue: \$1.22 billion; Public sector revenue: \$226 million. (Calculations based on 9,369 SHARP-assisted units. Includes dollars spent for materials, wages, utilities and management.)

backed mortgages, giving them the ability to negotiate with owners to preserve these properties as affordable housing.

Another option being pursued to address the problem of expiring use of older, MHFA-financed properties is the use of tax credits in conjunction with resyndication. Resyndication makes funds available to correct physical and financial problems of the developments while the use of tax credits enables the Agency to negotiate a 20-year extension of their use as affordable housing.

THE GRANITE PROPERTIES

Still another effort aimed at preserving existing rental housing is the MHFA's participation in the disposition of HUD-foreclosed properties. An example of this is renovation of the Granite Properties in Boston's North Dorchester and Roxbury neighborhoods.

Originally rehabilitated in the 1960s, the properties gradually deteriorated and fell into disrepair from insufficient subsidy and private owner mismanagement. Physical decay and vacant units lured drug dealers and vandals to the neighborhood.

As part of a broad-based effort to maintain these units as affordable housing, MHFA was authorized to act as HUD's agent for the disposition of the 218-unit Granite Package #5 — the first time in the state and only the second time in the country that HUD chose an outside agency for this process. HUD also agreed to sell 944 Granite units to local nonprofit community development corporations in conjunction with the Boston Housing Partnership. MHFA has provided \$80 million in financing for this expansive renovation effort.

Based on successful experience with the Granite Properties, MHFA is pursuing other opportunities to participate in the renovation of HUD-foreclosed properties in the inner city, particularly in cooperation with nonprofit or community-based developers.

INNER CITY TASK FORCE

In 1986 MHFA convened the Boston Inner City Task Force at the request of Granite residents to help reclaim their community as well as support the Agency's investment in the Granite Properties. The Task Force has mobilized residents and management and serves as a

forum to ensure that the rehabilitated properties are safe, secure places to live.

Task Force members include residents, property managers, and representatives from city and state public safety and social service organizations.

Task Force efforts have resulted in:

- a 10 - 15 percent increase in Boston Police patrols throughout the Granite neighborhood;
- a directive from the Governor that the state drug lab give priority to processing evidence seized in Granite-area drug arrests;
- publication of a fast track eviction manual to help property managers evict repeat drug offenders while protecting the rights of law-abiding residents;
- the hiring of a minority-owned security firm to provide security for the Granite buildings during and after renovation and to support police efforts in combatting crime in the Granite area;
- formation of a Task Force judicial subcommittee which has recommended redistributing resources, assigning additional judges to area courts, and establishing special "drug court" sessions; and



Over 1,100 HUD-foreclosed units in North Dorchester and Roxbury known as the Granites are being renovated with \$80 million in MHFA financing by local minority developers and nonprofit community development corporations under the aegis of the Boston Housing Partnership. After spending time in a shelter for homeless people, the Smith family (above left) moved into a three-bedroom apartment renovated by the Fields Corner Community Development Corporation. Joanne Roberson (above right) and her children, Carmen and Kurt, (top right) recently moved back into their newly-rehabilitated unit renovated by the Quincy-Geneva Community Development Corporation.

— a customized version of MHFA's Tenant's Assistance Program (TAP) to train residents and managers on how to deal with drug and alcohol abuse and to address a variety of other contemporary issues ranging from AIDs to single parenting.

Based on these accomplishments, MHFA initiated the Western Massachusetts Inner City Task Force in 1988 and the New Bedford Inner City Task Force in 1989. The Task Force earned a merit award for program innovation from the National Association of Housing and Redevelopment Officials in 1990 and it served as the model for the EOCD Reclaim Our Communities (ROC) initiative statewide.

PROJECT TAP (TENANT ASSISTANCE PROGRAM)

The problems that arise from residents' abuse of drugs and alcohol are important concerns in the housing industry. Property damage arising from a single alcohol or drug-related incident can be as high as \$50,000.



Project TAP, initiated in 1984 and designed to train property managers and residents to deal with drug and alcohol abuse, has proven to be a cost effective portfolio management tool as well as a conduit for addressing human needs. Through resource referrals and training, Project TAP prepares property management personnel to recognize, confront and offer assistance to alcohol and drug abusing tenants.

Project TAP training courses also help properties comply with the Federal Drug-Free Workplace Act of 1988 by providing required drug-free awareness training programs.

TAP has received industry endorsement in the form of insurance policy discounts from Kaler Carney Liffler and Company, Inc. (KCL). KCL, an insurance agent for MHFA's property and liability insurance coverage, offers insurance premium discounts for developments in the Agency's portfolio that provide tenant assistance programs for their residents.

Since its inception, TAP has expanded its training efforts to cover a variety of issues including non-violent self defense, AIDs, single parenting, and co-dependent behavior. These courses are offered through TAP Connections, a comprehensive training program available to all management company staff who manage MHFA-financed housing.

TAP staff also is exploring offering the program to other HUD-subsidized and conventionally-financed properties.

SUPPORTIVE SERVICES IN ELDERLY HOUSING

To promote independent living and help elderly residents avoid premature placement in nursing homes, the Agency implemented the Supportive Services in Elderly Housing Program. The program is funded, in part, by the Robert Wood Johnson(RWJ) Foundation and delivers affordable homemaking, health care and other supportive services. The program

Ted Nugent, permanently disabled from a work-related injury, and his wife Kleanthe, who suffers from a heart condition, feared homelessness until they qualified for one of the affordable units at the SHARP-assisted Mariner's Hill in Marshfield. The development consists of 90 one-and two-bedroom units, 23 of them reserved for low-income households. Financing for Mariner's Hill included a \$9.4 million MHFA loan.

also provides property managers with necessary service coordination systems, training and resource networks. Over \$267,000 has been contributed by MHFA, RWJ, property owners and residents for this initiative.

MINORITY PROPERTY MANAGEMENT TRAINING PROGRAM

The Minority Property Management Training Program provides skilled, experienced minority personnel for employment in private property management companies. Initiated in 1983, the program not only trains qualified applicants but also strives to sensitize management to the needs of minority residents and to improve tenant-management relations.

The program involves a year-long course of study and on-the-job training for qualified minority applicants. The interns are required to attend weekly classes as well as complete three internships with property management companies. To date, 72 students have completed the program and the majority have secured jobs as site managers, assistant managers and rental coordinators.

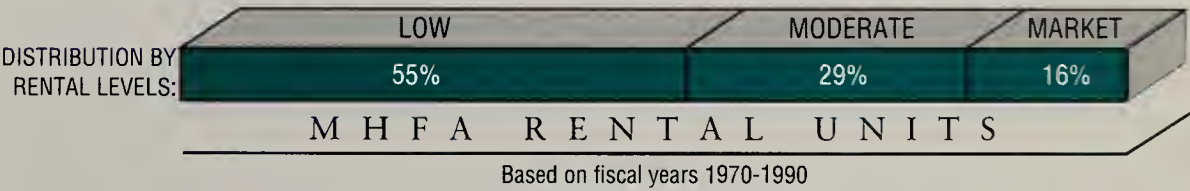
MINORITY APPRAISAL AND REAL ESTATE TRAINING PROGRAM

Based on the success of the Agency's Minority Management Training Program, MHFA initiated the Minority Appraisal and Real Estate Training Program in 1987 to promote statewide minority participation in the real estate appraisal field. Since that time it has been endorsed by the American Institute of Real Estate Appraisers (AIREA) and has attracted interest nationwide.

Qualified applicants are introduced to the real estate appraisal field through coursework sponsored by the AIREA. Their on-the-job training begins in MHFA's Appraisal and Marketing Department and is followed by a work assignment with an independent appraisal firm.



The 7th graduating class of MHFA's Minority Property Management Training Program received their diplomas after successfully completing an intense year-long program. Graduates of the program go on to provide skilled personnel to staff private property management companies.



MHFA's Homeownership Programs are designed to help low- and moderate-income families take the important step of buying their first home.

As of June 30, 1990, the MHFA had provided 22,241 home mortgage loans totaling \$1.2 billion to eligible first-time homebuyers. Included in these totals are 3,335 loans originated by MHMFA (Massachusetts Home Mortgage Finance Agency). The MHMFA's participation in these pre-merger (pre-1982) loans is 90 percent or \$84.1 million.



MORTGAGE PROGRAMS

MHFA mortgages are offered through separate programs known as General Lending, Neighborhood Rehabilitation, New Construction, the Homeownership Opportunity Program (HOP), and the newer Acquisition Set Aside Program (ASAP).

Generally, these programs offer interest rates that are 2 percent below that of conventional rates. Other benefits to borrowers in-

clude the ability to make 5 percent down payments, beneficial underwriting ratios, and fixed-rate mortgage terms of 27 - 30 years.

To qualify for an Agency mortgage, borrowers must meet income guidelines and properties must fall within acquisition cost limits. Also, except in federally-designated areas, borrowers must be first-time homebuyers.

GENERAL LENDING

All, or a portion of, the General Lending funds are reserved for at least 60 - 90 days for priority borrowers. In MHFA's most recent bond issue, 50 percent of General Lending funds was reserved for six months to provide expanded opportunities for priority borrowers. Priority borrowers are Vietnam Era Veterans, low-income and minority borrowers, and households in which a member has a physical disability. If these funds are not used by a priority borrower within the reserve period, they may become available to households meeting the MHFA's general eligibility requirements.

NEIGHBORHOOD REHABILITATION

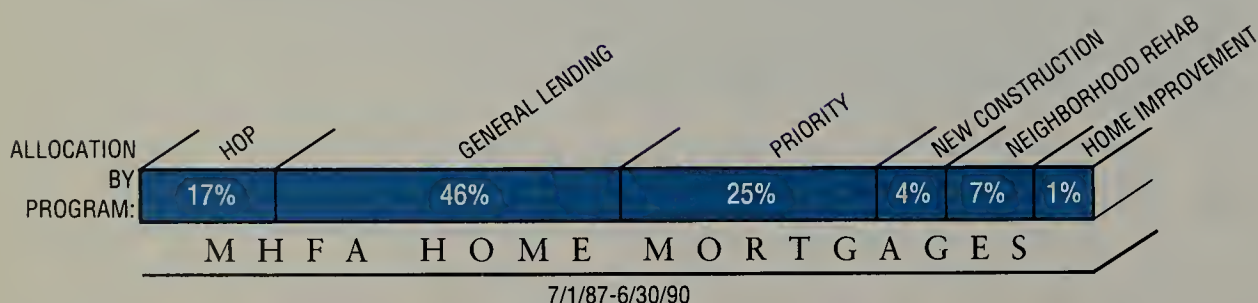
The Neighborhood Rehabilitation Program provides home mortgage funds for eligible borrowers who buy and/or rehabilitate homes in locally-designated neighborhoods. The funds are distributed in cooperation with local housing and community development agencies throughout Massachusetts. These agencies assist borrowers in determining their eligibility and in assessing and completing needed rehabilitation. In many cases, the agencies also make available local resources to further reduce the costs of homeownership for low- and moderate-income households.

NEW CONSTRUCTION SET-ASIDE

This pool of funds is reserved for the purchasers of new homes built by specific developers. The New Construction Set-Aside Program was developed in cooperation with the Massachusetts Homebuilders Association and is aimed at encouraging the construction of single family homes at prices affordable to low- and moderate-income homebuyers. As with the Neighborhood Rehabilitation Program, many of these units are built in conjunction with local revitalization efforts.



Eric Sargeant, a single father who has raised four children bought and renovated the apartment in which he had been living through MHFA's Neighborhood Rehabilitation Program. The program is designed to assist first-time homebuyers and revitalize older neighborhoods in communities across the state.



HOP (HOMEOWNERSHIP OPPORTUNITY PROGRAM)

Co-administered by MHFA and EOCD, HOP was initiated in 1986 in response to high Massachusetts home prices. Designed to create new homes at affordable prices, the program's goal is to provide low- and moderate-income households with a chance to own their own home. Program funds have been awarded to developers on both a competitive basis and, more recently, on a first-come, first-served basis. MHFA reserves a pool of mortgage funds for eligible buyers of the units built through the program and MHFA interest rates are further reduced by subsidies provided by the Massachusetts Housing Partnership.

HOP is based on a partnership that involves state, local and private sector resources in creating developments where at least 30 percent of the units are affordable and the balance are sold at market prices. To maintain long-term affordability of the homes, restrictions are imposed on unit resale prices.

Critical to the success of the HOP program is the cooperation of local communities and private and nonprofit developers who work together to design attractive, appropriate developments. Depending on the location, developments may be conventional woodframe or modular designs, single family homes or townhouses, or low or mid-rise buildings.

As of June 30,1990, 94 HOP developments representing 2,418 units were either completed or under construction. Another 1,600 units were in the pipeline.

ASAP (ACQUISITION SET-ASIDE PROGRAM)

MHFA's Acquisition Set-Aside Program (ASAP) is designed to make homeownership more affordable to low-and moderate-income households in Massachusetts while providing a marketing tool for homebuilders experiencing slow sales due to the softened Massachusetts real estate market.

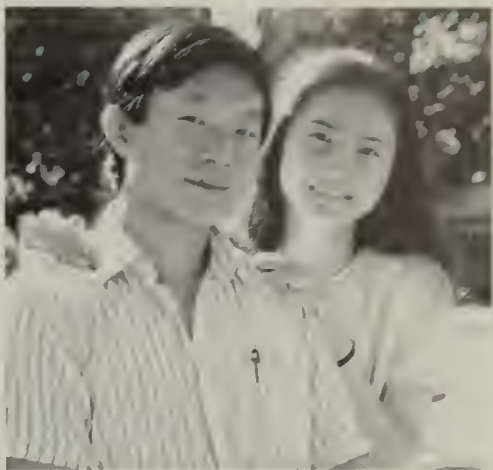
Under the program, homebuilders whose units are not selling as quickly as anticipated can apply for a set-aside of low interest rate mortgage funds for eligible homebuyers. In return, developers agree to reduce home prices to at least 10 percent below appraised value. All ASAP-financed units also must be priced within MHFA first-time homebuyer program guidelines.

Applications for ASAP funds are accepted on an ongoing basis and are reviewed according to underwriting standards consistent with the criteria used by construction lenders.

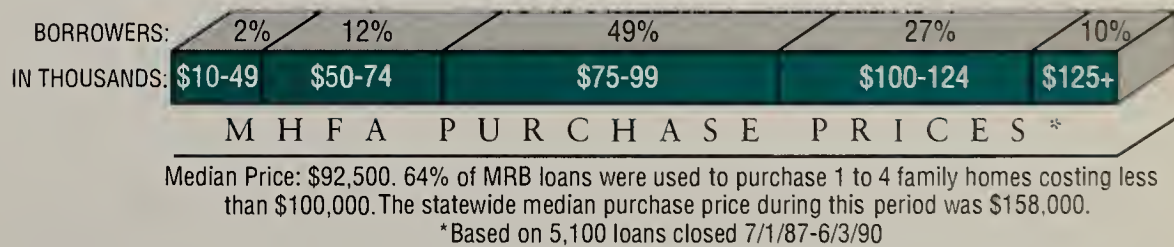
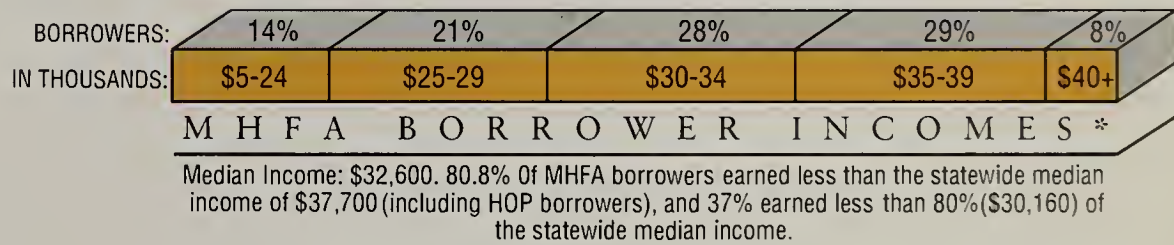
HILP (HOME IMPROVEMENT LOAN PROGRAM)

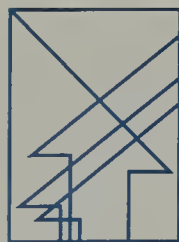
MHFA's Home Improvement Loan Program (HILP) helps to preserve existing housing stock by making low-interest rate loans available to eligible borrowers who want to make needed improvements to their homes. HILP places special emphasis on loans to improve accessibility for elderly and disabled persons.

HILP offers low-interest loans of up to \$15,000 for terms ranging from five to fifteen years. In addition to accessibility improvements such as installation of wheelchair ramps, widened doors and lowered countertops, HILP funds may be used for installation of approved solar domestic hot water heaters and solar space heating systems or repairs needed to comply with health, sanitary, building or fire prevention codes.



After saving for several years, Meng Ven and Polly King still could not afford a market-rate home in their community. After reading about MHFA's General Lending Program, they applied and subsequently qualified for an \$84,000 mortgage at 8.4 percent to purchase the condominium which they had been renting for several years.





MCC (MORTGAGE CREDIT CERTIFICATE PROGRAM)

As an alternative to its traditional home mortgage programs, MHFA began offering the Mortgage Credit Certificate (MCC) Program in mid-1990.

MCCs are not mortgages. They are federal tax credits that are used in tandem with conventional mortgage financing to reduce the amount of federal income taxes paid annually. That tax savings translates into an increase in take-home pay, making it easier for first-time homebuyers to qualify for a loan.

MCCs are designed to be used with first-time homebuyer programs currently being offered by a number of conventional lenders throughout Massachusetts. Federal law prohibits their use with MHFA mortgages. The conventional lenders' first-time homebuyer pro-



By entering their names in a lottery, the McNamara family was selected to apply and subsequently qualified for a low-interest mortgage to purchase an affordable unit at the HOP-assisted Silver Heights in Bellingham. The development consists of 34 single family homes, 9 of them reserved for low-income households. Financial support for Silver Heights included \$641,250 in reduced-rate mortgages provided by the MHFA to eligible borrowers.

grams may offer, for example, low down payment requirements, relaxed underwriting ratios, or downpayment or closing cost assistance.

BAP (BORROWER'S ASSISTANCE PROGRAM)

The Agency initiated the Borrower's Assistance Program (BAP) in 1989 to help HOP-assisted borrowers pay the closing costs associated with getting a mortgage. The program is designed to provide assistance only to those families with insufficient funds to pay these additional costs. Expenses associated with closing include mortgage application and attorney fees, title insurance, filing and recording fees, standard bank settlement costs and bank origination fees.

Through BAP, eligible homebuyers can borrow the lesser of \$5,000 or 5 percent of the purchase price of the home. These funds carry a simple interest rate of 3 percent and are repaid by the borrower at the time of resale, refinancing or transfer of the property.

MORTGAGE INSURANCE PROGRAMS

Mortgage insurance is required if a borrower makes a downpayment of less than 25 percent of the purchase price of a home. Generally, mortgage insurance includes an initial charge at the time of closing and subsequent annual renewal fees.

Recently, it has become increasingly difficult for first-time homebuyers to qualify for mortgage loans under the rapidly changing guidelines of private mortgage insurers (PMIs). Consequently, many otherwise eligible households have been shut out of the homebuying market.

MHFA developed two options to make private mortgage insurance available for HOP and MHFA-assisted borrowers. The first is an Agency self-insurance fund available to borrowers participating in all homeownership programs. The Agency's Mortgage Insurance Fund has reduced initial mortgage insurance premiums by one third and waived the requirement for borrowers to have two months' worth of reserves for principal, interest, taxes and casualty insurance in escrow. For example, on an \$83,000 mortgage, these changes mean that approximately \$2,000 less will be needed by a borrower at closing. Other benefits to the borrower include acceptance of 5 percent downpayments and gifts from relatives for up to one-

half of the downpayment. Also, an increase in the qualifying ratios from the conventional standard of 28/33 percent to 30/36 percent has allowed more borrowers to participate. Additionally, the program has established a sense of stability for lenders and borrowers who are no longer subjected to the confusion of constantly changing guidelines as has been the case in the past.

The second option is a risk-sharing program offered with General Electric Mortgage Insurance Company. This program mirrors that offered by the Mortgage Insurance Fund in all respects. The G.E. program also allows the Agency to increase its loan capacity.

State legislation enacted in January 1990 permits the Agency to expand the mortgage insurance program so that a larger number of low-income borrowers can benefit from MHFA's homeownership programs. This expansion is a response to borrower needs and reflective of MHFA's positive track record in the administration of its first-time homebuyer programs.

UNDERWRITING/PORTFOLIO MANAGEMENT

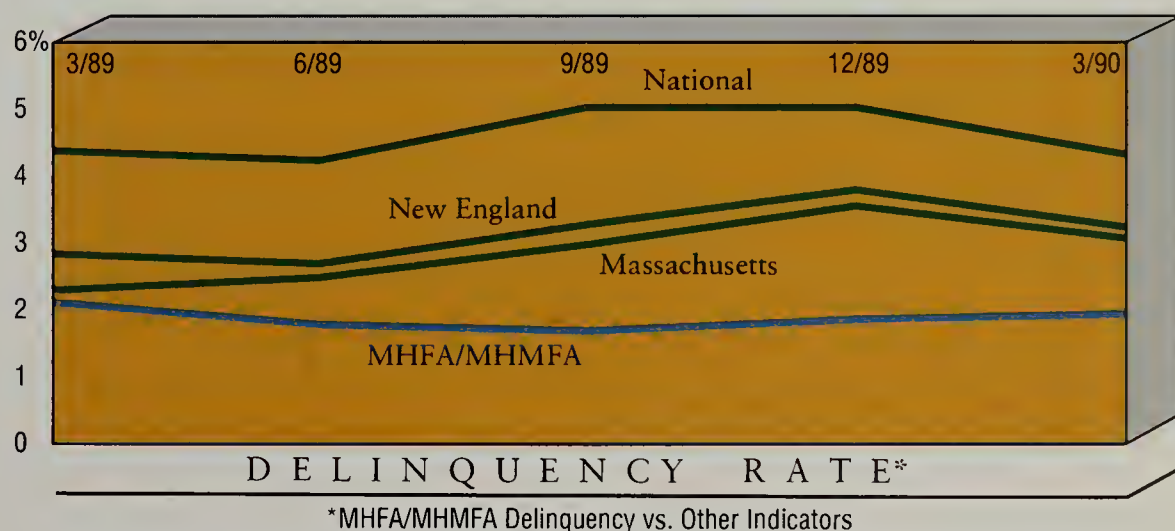
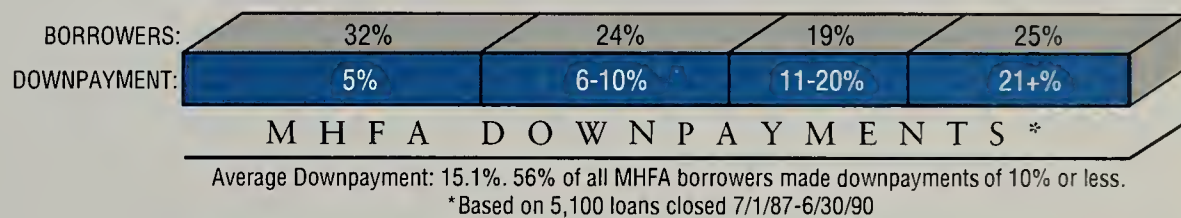
As of June 30, 1990, delinquency rates for MHFA home mortgage loans averaged 2 percent, well below national and regional rates of 5 and 3 percent respectively.

Properly underwritten mortgage loans, lender training, extensive monitoring, and credit counseling for prospective borrowers enable the Agency to maintain this low delinquency rate. In addition, MHFA requires that lenders conduct delinquency counseling with borrowers who are at risk of foreclosure to determine whether a compromise may be reached and foreclosure avoided.

Federal tax-exempt bonds for the Agency's Homeownership Programs are secured by a pledge of and a lien upon the mortgage loans purchased. Bonds are further secured by a Loan Reserve Fund, and in some cases, a Capital Reserve Fund. Historically, 100 percent of the Agency's interest in each loan, to an aggregate of 20 percent of the portfolio has been insured by pool insurance. More recently, however, the Agency has obtained letters of credit acceptable to the rating agencies as a more cost-effective substitute for traditional pool insurance.



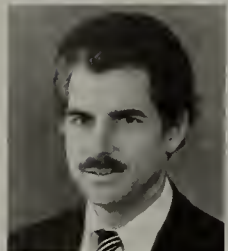
Initiated by Governor Dukakis, the Buy '90 Homeownership Fairs were held regionally to bring local builders, brokers, and lenders together with prospective Massachusetts homebuyers. At each fair, information was available on attractive, affordable homes for sale, favorable mortgage terms, credit counseling, home inspection services and the basics of homebuying.



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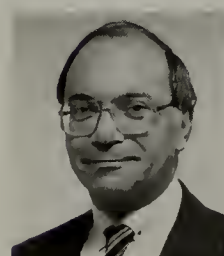
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Housing Allowance Program

Norma Moseley
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Housing Assistance Programs
Ecumenical Social Action Committee

Sylvia Watts
Vice President of Development
Taylor Properties

Three Appointments Pending



Executive Director
Marvin M. Siflinger

*The Agency expresses its deepest gratitude to William H. Jones who resigned as a member of the Agency in July 1990 to assume a new position with the Local Initiatives Support Corporation in Chicago.

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President
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*through 4/90

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PaineWebber Incorporated
Goldman, Sachs & Co.

Managers

Bank of Boston (The First National Bank of Boston)
Chase Securities, Inc.
The First Boston Corporation
Lehman Brothers
BNE Capital Markets, Inc.
M.R. Beal & Company
Bear, Stearns & Co., Inc.
A.G. Edwards & Sons, Inc.
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Mudge Rose Guthrie Alexander & Ferdon
Palmer & Dodge

Independent Certified Public Accountants

Coopers & Lybrand

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Shawmut Bank, N.A.
Bank of Boston (The First National Bank of Boston)
State Street Bank and Trust Company

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Bank of New England, N.A., Boston
Boston Five Cents Savings Bank, Boston
Capitol Bank and Trust Company, Boston
Fidelity Money Market Trust, Boston
Massachusetts Municipal Depository Trust, Boston
Shawmut Bank, N.A., Boston
State Street Bank and Trust Company, Boston

New York

AIG Financial Products Corporation
Bank of New York
Bankers Trust Company
The Chase Manhattan Bank, N.A.
Chemical Bank
Citibank, N.A.
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank
Morgan Guaranty Trust Company of New York
The Sumitomo Trust and Banking Company, Ltd.

California

Bank of America, San Francisco
Wells Fargo Bank, San Francisco

Michigan

Michigan National Bank

Pennsylvania

Federal National Mortgage Association

Pool Insurer

Investors Mortgage Insurance Company
Verex Assurance Inc.
Mortgage Guaranty Insurance Corporation

MANAGEMENT STAFF

Marvin M. Siflinger

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Eleanor G. White
Deputy Director/Chief of Operations

Division Heads

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Internal Auditor
Regina C. McCrann
Director of Administration
Wilson Henderson
Equal Opportunity Officer
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Edward T. Calnan
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Linda L. Conroy
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Research and Program
Development Director,
Acting Administrator for
Single Family Programs
Paul K. Burbine, Jr.
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Ned Epstein
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Public Information Officer
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Comptroller
Frank Y. Sorensen
Operations Officer
Thomas R. Gleason
Single Family Programs Officer

*through 9/90



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More information on MHFA and its programs
is available from the following departments:

GENERAL INFORMATION:

617-451-3480
MHFA Annual Report
Public Information

MHFA Quarterly Newsletter
Public Information

MHFA Quarterly Production Fact Sheet
Public Information

MULTIFAMILY PROGRAMS:

617-451-3480
MHFA Housing List
Management

SHARP Brochure
Development

Elder CHOICE Fact Sheet
Development

Rental Acquisition and Development
Initiative(READI)
Development

Minority Property Management
Training Program Fact Sheet
Management

Minority Appraisal and Real Estate
Training Program
Appraisal & Marketing

Inner City Task Force Fact Sheet
Deputy Director's Office

Project TAP Newsletter
Community Services

Project TAP Brochure
Community Services

SINGLE FAMILY PROGRAMS

617-451-2766
How To Buy A House: Putting The
Puzzle Together
Single Family

Home Mortgage Loan Programs Brochure
Single Family

Qualified Rehabilitation Fact Sheet
Single Family

Home Improvement Loan Brochure
Single Family

Mortgage Credit Certificates (MCC)
Single Family

Homeownership Opportunity Program
(HOP) Brochure
Single Family

Acquisition Set-Aside Program (ASAP)
Single Family